

A photograph of two women walking through a field of tall grass. The woman on the left is wearing a white polo shirt and white shorts. The woman on the right is wearing a white sleeveless button-down shirt and brown shorts. They are both smiling and looking towards each other. The background is a soft-focus field of tall grass.

# *Retirement Readiness*

A Two-Year Countdown

### **About the Office of Retirement Services**

The Office of Retirement Services (ORS) administers retirement programs for Michigan's state and public school employees, judges, and state police. Our vision is to provide fast, easy access to complete and accurate information and exceptional service for our more than half million members.

### **About This Publication**

The intent of this publication is to summarize basic plan provisions under Michigan's Public Act 300 of 1980, as amended. Current laws, rates, and factors are subject to change. Should there be discrepancies between this publication and the actual law, the provisions of the law govern.

# *Retirement Readiness*

**A Two-Year Countdown  
for Michigan's Public School Employees  
January 2005**



State of Michigan  
Office of Retirement Services

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# I. Congratulations!

You're nearing the end of what, we hope, has been a satisfying career as a Michigan public school employee. We also hope that you're looking forward to retiring and reaping the rewards of your dedicated public service.

As you well know, retirement is a major life change. While many take the leap with no regrets and never look back, most people approach retirement with a degree of anxiety. You are, after all, leaving the close friends, certainties, and challenges of your workplace—not to mention that regular paycheck. Will there be enough income in retirement to pursue and enjoy all those activities you've dreamed of?

Again, we hope so. This publication is intended to help you answer those questions. We want your final months as a public school employee filled with eager anticipation, not worry. We want you to approach your new life stage fully prepared—knowing all you need to know about your benefits under Michigan's Public School Employees Retirement System—so that your retirement is as fulfilling as you hope it will be.

This booklet explains how and when you will qualify for your pension and provides worksheets and examples to help you estimate your benefit. It includes tips for enhancing your retirement by purchasing service credit. You'll find some points to consider as you decide when to retire; details on how and when to apply; information about your group insurance benefits; and a bit about what you can expect after your monthly pension begins.

The information is presented in a loosely chronological fashion to help you "count down" to retirement. It starts with information you need to make critical decisions about retiring, and ends with the delivery of your pension payment. Along the way, be sure to use the additional tools we provide in the appendices.





## II.

## Qualifying for Your Pension

To be eligible for a monthly retirement pension, you must meet minimum age and service requirements. These requirements vary depending on whether you are a **Basic Plan** or **Member Investment Plan (MIP)** member.

In general, Basic Plan members are those who were in the Public School Employees Retirement System before the Member Investment Plan was introduced in 1987, and who elected to remain in the plan when offered a choice. For a comparison between the plans, see Appendix C.

### **Full Retirement Provisions** **MIP members.**

As a MIP member, you will qualify for full retirement under any of the following provisions:

- **MIP 46 with 30.** You qualify for full retirement at any age with at least 30 years of service. However, if you have purchased universal buy-in service credit, you must be at least age 46. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.
- **MIP 60 with 10.** You are eligible for your pension at age 60 with at least 10 years of service credit.
- **MIP 60 with 5.** If you are age 60 and you have at least 5 years of service credit, you qualify for a pension if at least 0.1 years of service credit have been earned in each of the five school fiscal years immediately before your retirement effective date and you terminated your public school service immediately before your retirement effective date. A school fiscal year runs from July 1 through June 30.

### **Basic Plan members.**

As a Basic Plan member, you qualify for a full retirement under the following retirement provisions:

- **Basic 55 with 30.** You will qualify for your pension when you are at least age 55 and have 30 or more years of service credit. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.
- **Basic 60 with 10.** You qualify for a pension at age 60 with at least 10 years of service credit.



*Basic Plan*

*Member  
Investment Plan  
(MIP)*



*active  
member*

*deferred  
member*

## **Early Reduced Retirement Provisions**

Whether you are Basic or MIP, you can take an early reduced retirement as early as age 55 if you have at least 15 but less than 30 years of service. Your pension amount is permanently reduced by one-half of one percent for each month you take your pension before age 60 (6 percent per year).

You must be an **active member** to be eligible for the early reduced benefit. An active member is someone who is still working and contributing to the plan. If you terminate employment before the month you reach pension eligibility age, you become a **deferred member**, rather than an active member (see Summer Birthday Exception). Deferred members don't qualify for the early reduced pension.

To retire under the early reduced provision, you must meet all of the following conditions:

- You worked through your 55th birthday (an exception may apply if you were born in a summer month—see Summer Birthday Exception below).
- You have at least 15 but fewer than 30 years of service credit, with at least 10 years of service credit earned under this system.
- You earned at least 0.1 year of service credit in each of the 5 school fiscal years immediately before your retirement effective date. The fiscal year in which you are retiring counts in the 5 years.
- You terminated Michigan public school service immediately before your retirement effective date.

If you're thinking about an early reduced retirement, we suggest you check with ORS before you terminate employment to be sure you qualify.

## **Summer Birthday Exception**

Ordinarily, if you terminate employment before the month you reach pension eligibility age, you become a deferred member. Deferred members aren't eligible for the early reduced retirement and are not eligible for the group insurances while in deferred status. In addition, they may or may not qualify for a full subsidy of insurance premiums when they become eligible for the insurances. To prevent an unfair penalty for those who stop working when school ends in June but whose birthday falls in the summer months, special provisions apply.

If you are retiring under the MIP 60 with 10, Basic 60 with 10, or early reduced retirement and your 55th or 60th birthday falls in July, August, or September, we will consider you an active (not deferred) member if (1) you are a regularly employed 10-month employee who does not normally work the summer months; and (2) you file your retirement application before the end of the school year in which your birthday occurs. Your retirement effective date in a summer birthday situation will be the first day of the month following your birthdate.





retirement  
effective date

vesting

Act 88 -  
Reciprocal  
Retirement Act  
of 1961

## ***Your Retirement Effective Date***

Your **retirement effective date** is the first day of the month following the month in which you have satisfied the eligibility requirements and you have terminated employment in Michigan public schools.

Of course, you must submit your retirement application forms and any required documentation before we can make an eligibility determination.

## ***When You Are Vested***

You are **vested**—meaning you have sufficient service to qualify for a benefit though you may not yet meet the age requirement—when you have the equivalent of ten years of full-time Michigan public school employment.

## ***Counting other Michigan government service.***

You may be able to combine service you have earned with a number of governmental agencies in Michigan in order to meet eligibility requirements. **Act 88 - Reciprocal Retirement Act of 1961** helps public servants who have worked either full- or part-time for more than one public employer, but perhaps fall short of pension eligibility with any or all of them. Examples of a governmental agency include state, county, and municipal units as well as public schools and universities.



Combining years of service from multiple employers can help you *qualify* for a pension, but the other service won't count in the calculation of your pension amount. Act 88 can't be used to qualify someone for survivor or disability benefits—it can only be used for a regular retirement pension.

More information about Act 88 can be found in *Enhancing Your Pension: Earning and Purchasing Service Credit*.

### ***If You Leave Before Age 60***

If you leave public school employment before you're old enough to draw your pension but after you are vested, your pension is deferred until you apply for it at age 60. Be sure to apply before your 60th birthday—your pension won't be any higher if you wait, and you could even lose money if you wait.

If you're between age 55 and 60 and leaving public school employment, you might face a choice between an early reduced or a deferred retirement (assuming you meet all the eligibility requirements for both). Calculate your pension both ways before making a decision. Also consider this:

- **Early reduced.** Your pension will be permanently reduced. You and your eligible dependents are eligible for the health, dental, and vision insurances. You will be eligible for the plan's maximum insurance premium subsidy.
- **Deferred retirement.** Your pension is calculated the same as a full retirement. You won't be eligible for health, dental, and vision insurances until your retirement effective date. You may or may not qualify for an insurance premium subsidy—see section V.

### ***If You Become Disabled***

If you become totally and permanently disabled while a public school employee and you do not meet the age and service requirements for a full retirement, you may qualify for a **disability retirement**. The ORS publication *If you Become Disabled: Your Disability Protection* explains the disability benefit and application process more fully. Keep in mind that your disability application must be received within 12 months after terminating public school employment.



disability  
retirement





### III. How Your Pension Is Calculated

In this section we explain how a straight life monthly pension benefit is calculated, and introduce the different payment options you can choose such as the early reduced payment, survivor options, and equated plans.

It's very important that you understand the concepts presented here before you make irrevocable selections you'll have to live with throughout your retirement. Once you're familiar with these fundamentals you can move on to the next section for step-by-step help in estimating your pension.

#### **The Pension Formula**

Your annual benefit is based on a formula that multiplies your *final average compensation* by a *pension factor* times your *years of credited service*.

**The Pension Formula**

$$\text{FAC} \times 1.5\% \times \text{YOS}$$

Final Average Compensation      Pension Factor      Years Of Service

- **Final average compensation (FAC).** For MIP members, the highest three consecutive years of earnings (36 months) are averaged to determine your final average compensation, or FAC. If you are a Basic Plan member, your highest five consecutive years of earnings (60 months) are averaged to determine your FAC.

It's important to note that your highest three or five consecutive years of earnings may have occurred earlier in your career. Even though we may use those years rather than your final years to calculate your benefit, we still refer to it as your final average compensation.

Details on the types of compensation used in your FAC can be found in the next section.

- **Pension factor.** The pension factor is 1.5 percent (.015).
- **Years of service (YOS).** Your service credit reflects the years, or fractions of years, you have worked for a Michigan public school. In general, you earn one year of service when you work 1,020 hours in a school fiscal year. No more than 30 hours can be credited in a one-week period.

Credited service can also include any additional service purchased or transferred, as described in Section VI.



*final average  
compensation  
(FAC)*

*pension  
factor*

*years of  
service  
(YOS)*

Your FAC is not always your last three or five years. It is the average of your 3 or 5 highest consecutive years of compensation.





straight life  
early reduced  
retirement  
survivor option  
equated plan

## ***You Have a Choice of Payment Options***

The pension formula (FAC times 1.5% times YOS) calculates your ***straight life*** benefit. If you elect the straight life pension, you receive the maximum monthly benefit payable throughout your lifetime. No ongoing benefits—payments or insurance—are provided to your survivors.

If you qualify for the ***early reduced retirement***, we first calculate your straight life benefit. Then we apply the one-half percent per month reduction to arrive at your actual monthly benefit.

You may choose a ***survivor option***, which pays you less but continues monthly pension payments as well as health, dental, and vision insurance coverage to your beneficiary if you die.

You could also choose the ***equated plan*** if you want your income to remain relatively level both before and after your social security payments begin.

You can combine the choices. For example, you can take an early reduced retirement with a survivor option. You can also take an equated plan with a survivor option.

All calculations begin by figuring your straight life amount. Your straight life amount is then adjusted, depending on which plan or option you are choosing.

### **Consider your options carefully.**

You must choose your payment option when you apply for your pension. After your retirement effective date, you cannot change your election or your designated survivor beneficiary for any reason. Read carefully, ask questions, estimate under various scenarios, talk with your family—but do it now, because you can't change it after you retire.



Check out our online calculator  
at [www.michigan.gov/ors](http://www.michigan.gov/ors)  
to estimate your pension.

## ***Pension Increases After You Retire***

As a MIP retiree, after you've been retired a full year, each October you'll receive a fixed 3 percent increase in your monthly pension. This **postretirement increase** doesn't compound, but it does accumulate. So each October, your retirement check will increase by 3 percent of your initial pension amount.

Here's an example:

### MIP POSTRETIREMENT PENSION INCREASES

Mary Jo retired on January 1, 2005, with a monthly pension payment of \$1,200. Beginning October 2006 (the first October after she's been retired a full year) she'll begin receiving an additional 3 percent of her initial pension, or \$36 a month.

On the first October, Mary Jo will receive \$1,236 (\$1,200 + \$36).

On the next October, Mary Jo will receive \$1,272 (\$1,200 + \$36 + \$36).

On the third October, Mary Jo will receive \$1,308 (\$1,200 + \$36 + \$36 + \$36).



postretirement  
increase

supplemental  
payment  
(13th check)

If you're a Basic Plan member, you should not plan on a scheduled postretirement increase. However, in years when the plan's investments exceed predictions you may receive a distribution of the excess earnings. You'll be notified if and when a **supplemental payment**, sometimes called a **13th check** will be issued.

### ***Wage adjustments after you retire.***

If your school contract is under negotiation when you retire, you might have a wage adjustment after your pension begins. Once your school reports the correction, we will correct your final average compensation and pension amount. You'll be paid all past due benefits.

### ***IRS Pension Limits***

In rare instances IRS code (Sections 415(b) and 401(a)(17)) limits the pension amount that can be paid to very highly compensated individuals. If your average yearly earnings exceed \$100,000, contact ORS for further information.



## IV. Estimating Your Pension

In this section you'll find step-by-step worksheets to help you estimate your pension. Your first step will always be to figure your FAC. Then you use the pension formula to figure your straight life calculation. Once you know your straight life amount, you have a basis for estimating an early reduced, survivor, and equated pension.

Remember, an estimate is just that—an estimate. You won't know for sure how much you'll get until you file your application and your actual service credit, wage, and age are figured into the calculation.

We also recommend the following for help in estimating your pension:

- **Online calculator.** Go to [www.michigan.gov/ors](http://www.michigan.gov/ors) and navigate to School Employees Retirement System/Benefit Estimator. This handy tool does the math for you as you try different scenarios to compare your benefit. For example, you might wonder how your payment would be affected if you were to work longer, purchase service credit, or if you choose one of the survivor options or equated payment plans.
- **Preretirement information meetings.** Attend one of our two-hour retirement seminars, held throughout the state all year long. Experienced ORS representatives will fully explain the plan and the process before fielding questions from the audience. You can check our schedule, and register for a seminar, at the ORS website.
- **Personal phone appointments.** Once you've attended a preretirement information meeting, you can schedule a phone appointment. An ORS representative will have your wage and service records ready before calling you to answer any remaining questions you might have. You'll get details on how to register for your personal phone appointment when you attend a preretirement information meeting.
- **Contact us.** If you don't have access to these tools, our customer service representatives can help you obtain a benefit estimate and answer any other questions you have. You can email, write, call, or visit us. Complete contact information can be found under At Your Service inside the back cover of this book.

Be sure to attend a preretirement information meeting. Go to [www.michigan.gov/ors](http://www.michigan.gov/ors) for meeting times and locations and to register.



## **Figuring Your Final Average Compensation (FAC)**

Your final average compensation period will end on your last date of employment if this period represents your highest consecutive earnings. We will count earnings from your last day of employment back three or five years. If your highest three or five years are not your final years, we review your earnings record and capture the highest three- or five-year period for your FAC.

It doesn't matter if you retire during the school year or at the end, or if you receive some of your wages during the summer months after you retire. We will capture all that you earned during your FAC period. We will also recalculate and reimburse you if your contract is settled after you retire.

Your final average compensation cannot exceed your previous year's wages, unless the pay is in accord with your school's normal salary schedules. After you file your retirement application, we will ask your school to verify your final wages and we'll then determine how much of your compensation will count in your FAC.

### **Types of compensation included in your FAC.**

The types of pay used to calculate your final average compensation can include:

- Wages. Gross wages earned while performing the duties of your position, including compensation for extra work assignments such as coaching.
- Longevity pay.
- Vacation pay while absent from work.
- Overtime pay.
- Sick leave pay while absent from work. This includes weekly workers' compensation for an injury sustained while employed in a public school.
- Holiday pay while absent from work.
- Short-term disability payments that flow through your school's payroll.
- Merit pay for achieving specific performance objectives.

The following payments are NOT included in your FAC:

- Unused sick or vacation time.
- Bonus payments.
- Retirement incentive payments.
- Hospitalization and life insurance premiums.
- Long-term disability payments.
- Fringe benefits.
- In-kind compensation.
- Sabbatical leave stipends.
- Service credit purchased by your employer on your behalf.
- Termination pay.
- Payments received directly or indirectly for actual or anticipated expenses.
- Payments in lieu of health insurance or other fringe benefits.
- Payments for the specific purpose of increasing your final average compensation.

Active duty  
military service  
will not have a  
negative effect  
on your FAC.

## ■■■ ESTIMATING YOUR FAC ■■■

Use these worksheets to estimate your FAC. Enter wages from the period in your career when your earnings were highest. For FAC purposes, use wages when *earned*, rather than when they are *paid*. If you have questions about types of compensation included in your FAC, contact ORS.

MIP MEMBERS				
Mary Jo		Your Estimate		
Mary Jo's 3 highest consecutive years of earnings end on the day she retires: June 17, 2005, and go back to July 1, 2002.		Your 3 highest consecutive years of earnings end on the day you retire _____, and go back to _____.		
YEAR ONE	June 17, 2005-July 1, 2004	\$ 42,464.42	YEAR ONE	_____
YEAR TWO	June 30, 2004-July 1, 2003	41,917.28	YEAR TWO	_____
YEAR THREE	June 30, 2003-July 1, 2002	+ 41,244.40	YEAR THREE	_____
TOTAL		= \$125,626.10	TOTAL	
		÷ 3		
MARY JO'S FAC		= \$41,875.37	YOUR FAC	
			= \$	

BASIC MEMBERS				
Mary Jo		Your Estimate		
Mary Jo's 5 highest consecutive years of earnings end on the day she retires: June 17, 2005, and begin on July 1, 2000.		Your 5 consecutive years of earnings end on the day you retire: _____, and begin on _____.		
YEAR ONE	June 17, 2005 - July 1, 2004	\$ 42,464.42	YEAR ONE	_____
YEAR TWO	June 30, 2004 - July 1, 2003	41,917.28	YEAR TWO	_____
YEAR THREE	June 30, 2003 - July 1, 2002	41,244.40	YEAR THREE	_____
YEAR FOUR	June 30, 2002 - July 1, 2001	40,935.68	YEAR FOUR	_____
YEAR FIVE	June 30, 2001 - July 1, 2000	+ 40,174.23	YEAR FIVE	_____
TOTAL		= \$206,736.01	TOTAL	
		÷ 5		
MARY JO'S FAC		= \$ 41,347.20	YOUR FAC	
			= \$	



## The Straight Life Calculation

If you choose this payment option, you receive the maximum monthly benefit payable throughout your lifetime. No ongoing benefits—payments or insurance—are provided to your survivors.

Calculate your annual straight life benefit by multiplying your FAC times 1.5 percent (0.015) times your years of service credit. Divide the product by 12 to calculate your monthly straight life benefit.

Every calculation for other payment options (survivor, equated, early reduced) begins with a calculation of your straight life pension.

### Additional notes about the straight life option.

- If you are married and choose a straight life option, your spouse must waive his or her right to your pension benefit in writing.
- If you are married and name someone other than your spouse as your beneficiary, your spouse must waive his or her right to your pension benefit in writing.
- Your spouse and other eligible dependents qualify for the plan's insurance benefits during your lifetime whether you choose the straight life or a survivor option.
- No monthly pension or insurance benefits will continue to any beneficiary upon your death if you choose a straight life option. However, if there are any **personal contributions** remaining on account when you die, your beneficiary designated at retirement receives the balance in a lump sum payment.



personal  
contributions

### ■ ■ CALCULATING YOUR STRAIGHT LIFE PENSION ■ ■

Mary Jo	Your Estimate
Mary Jo is retiring at age 57 with 30 years of service.	You plan to retire at age ____ with ____ years of service.
Mary Jo's FAC from page 16. \$ 41,875.37	Your FAC from page 16. \$
Mary Jo multiplied her FAC by 1.5% X .015 = 628.13	Multiply your FAC by 1.5% X .015 =
Mary Jo's years of service X 30	Your years of service X
MARY JO'S ANNUAL PENSION \$ 18,843.90	YOUR ANNUAL PENSION \$
÷ 12	÷ 12
MARY JO'S MONTHLY PENSION = \$1,570.33	YOUR MONTHLY PENSION = \$



## ***The Early Reduced Option***

If you are at least age 55, active (still working, not deferred), with at least 15 but less than 30 years of service credit, you may take an early reduced retirement. You must have earned at least 0.1 year of service credit in each of the five school fiscal years immediately before your retirement effective date.

Calculate your straight life pension, and then reduce it by one-half of one percent (.005) for each month you take your pension before age 60.



### **Additional notes about the early reduced option.**

- The reduction in your pension is permanent. Expect to receive the same amount throughout your lifetime, with the exception of postretirement increases.
- Choosing the early reduced retirement has no effect on insurance eligibility, coverage, or premium subsidy. Insurance benefits are the same for full retirement and early reduced retirement.
- The 3 percent postretirement increase for MIP retirees will be based on the initial dollar amount of the early reduced pension amount.
- The early reduced pension calculation is performed before determining your pension amount under a survivor option or the equated plan.
- For early reduced option purposes, your retirement effective date is the first of the month following the date you last earned any reportable compensation (as defined under Figuring Your Final Average Compensation in this section). In other words, you must work sometime during the month before your retirement effective date, unless the special summer birthday exception applies.



## ■■ CALCULATING AN EARLY REDUCED PENSION ■■

Mary Jo	Your Estimate
Mary Jo will retire at age 57 and 4 months with 19.6 years of service.	You plan on retiring at age _____ with _____ years of service
<i>Step 1: Determine the percentage by which your pension will be reduced.</i>	
Mary Jo is 32 months away from reaching age 60. <input type="text" value="32"/>	Enter the number of months before you will reach age 60. <input type="text"/>
Multiply by 1/2% for each month she plans to retire early. $\times .005$	Multiply by 1/2% for each month you plan to retire early. $\times .005$
MARY JO'S PENSION REDUCTION PERCENTAGE $= 16\%$	YOUR PENSION REDUCTION PERCENTAGE $= \%$
<i>Step 2: Determine the dollar amount by which your pension will be reduced.</i>	
Mary Jo's monthly straight life pension. <input type="text" value="\$ 1,025.95"/>	Enter your monthly straight life pension. <input type="text" value="\$"/>
Mary Jo multiplied her straight life pension by her pension reduction percentage. $\times .16$	Multiply your straight life pension by your pension reduction percentage. $\times$
MARY JO'S MONTHLY PENSION REDUCTION $= \$ 164.15$	YOUR MONTHLY PENSION REDUCTION $= \$$
<i>Step 3: Determine your early reduced monthly pension.</i>	
Mary Jo's monthly straight life pension from above. <input type="text" value="\$ 1,025.95"/>	Your monthly straight life pension from above. <input type="text" value="\$"/>
Mary Jo subtracted her monthly pension reduction amount from her straight life pension. $- 164.15$	Subtract your pension reduction amount from your straight pension amount. $-$
MARY JO'S EARLY REDUCED MONTHLY PENSION $= \$ 861.80$	YOUR EARLY REDUCED MONTHLY PENSION $= \$$





survivor pension  
beneficiary

## ***The Survivor Options***

If you elect a survivor option, you receive a reduced benefit throughout your lifetime; however, upon your death your pension and health insurance benefits continue for the lifetime of your **survivor pension beneficiary**. You can name your spouse, child (including your adopted child), sibling, or parent as your survivor pension beneficiary. If you are married and do not name your spouse as beneficiary, he or she must sign off on the survivor benefit when you apply for retirement.

If you elect the 100 percent survivor option, upon your death your survivor will receive the same monthly benefit you received (before any tax, insurance premium, or other deductions). If you elect the 75 percent option, your survivor receives 75 percent of your benefit amount; with the 50 percent option your survivor will be paid half of your monthly pension payment.

The monthly pension amount for a survivor option is based on actuarial tables that factor in life expectancies for you and your beneficiary. These tables can be found with the worksheets on the following pages.



### **Additional notes about the survivor options.**

- You cannot change your option or your survivor pension beneficiary for any reason after your retirement effective date.
- If you elect one of the survivor options but your pension beneficiary dies before you, your pension payment will increase to the straight life amount (either full or early reduced).
- Upon your death, insurance benefits continue for your designated survivor pension beneficiary. Your eligible dependents who were covered at the time of your death may also continue to receive insurance benefits if you have chosen the survivor option and designated your spouse as your survivor pension beneficiary.
- Your choice of survivor benefits has no bearing on insurance payments for your dependents. If they are eligible, they have full coverage (not 75 percent or 50 percent coverage).
- If you get divorced after your pension begins, and your spouse is your pension beneficiary, the court could order that your pension election be changed from a survivor option to the straight life option.
- If you take the early reduced pension and also choose a survivor option, your early reduced pension is calculated first. This amount then becomes the basis for figuring your survivor option payment.



## ■■ 100% SURVIVOR PENSION ■■

This option pays you a reduced benefit throughout your lifetime; upon your death your survivor pension beneficiary receives the same amount you were receiving.

Mary Jo	Your Estimate
Mary Jo is retiring at age 57; her spouse will be 55 years old when she retires.	You plan on retiring at age ____; your pension beneficiary will be age ____.
Mary Jo's monthly straight life pension from page 17.	Enter your monthly straight life pension (page 17) or early reduced amount (page 19).
<input type="text" value="\$1,570.33"/>	<input type="text" value="\$"/>
Mary Jo used the chart below to find her percentage.	Use the chart below to find your percentage to multiply.
<input type="text" value="X"/> <input type="text" value=".86"/>	<input type="text" value="X"/>
<b>MONTHLY 100% SURVIVOR PENSION</b> (Mary Jo and her spouse)	<b>MONTHLY 100% SURVIVOR PENSION</b> (You and your spouse)
<input type="text" value="= \$ 1,350.48"/>	<input type="text" value="=\$"/>

100% SURVIVOR OPTION ACTUARIAL TABLE															
	Beneficiary age														
	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
40	90	90	91	91	92	92	92	93	93	94	94	95	95	96	96
44	89	90	90	90	91	91	92	92	93	93	94	94	95	95	96
50	88	89	89	90	90	91	91	92	92	93	93	94	94	95	95
54	87	88	88	89	89	90	91	91	92	92	93	93	94	94	95
58	87	87	88	88	89	89	90	90	91	92	92	93	93	94	94
62	86	87	87	87	88	88	89	90	90	91	91	92	93	93	94
66	85	85	86	86	87	87	88	89	89	90	91	91	92	93	93
70	84	84	85	85	86	86	87	88	89	89	90	91	91	92	93
74	83	83	84	84	85	85	86	87	88	88	89	90	91	91	92
78	81	82	82	83	84	84	85	86	87	87	88	89	90	91	91
82	80	81	81	82	82	83	84	85	86	86	87	88	89	90	91
86	79	79	80	81	81	82	83	84	84	85	86	87	88	89	90
90	77	78	79	79	80	81	81	82	83	84	85	86	87	88	89
94	76	77	77	78	78	79	80	81	82	83	84	85	86	87	88
98	75	75	76	76	77	78	79	79	80	81	82	83	85	86	87
102	73	73	74	75	75	76	77	78	79	80	81	82	83	84	85
106	71	72	72	73	74	75	75	76	77	78	80	81	82	83	84
110	70	70	71	71	72	73	74	75	76	77	78	79	80	82	83
114	68	69	69	70	70	71	72	73	74	75	76	78	79	80	81
118	66	67	67	68	69	70	70	71	72	74	75	76	77	79	80

**Directions:** Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you, and your beneficiary upon your death, will receive on the dollar, based on your straight life or early reduced estimate. If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.



## ■■ 75% SURVIVOR PENSION ■■

This option pays you a reduced benefit throughout your lifetime; upon your death your pension beneficiary's monthly payment will be 75 percent of the amount you were receiving.

Mary Jo	Your Estimate
Mary Jo is retiring at age 57; her husband will be 55 years old when she retires.	You plan on retiring at age ____; your pension beneficiary will be age ____.
<i>Step 1: Determine your monthly 75% survivor pension.</i>	
Mary Jo's monthly straight life pension from page 17.	Enter your monthly straight life pension from page 17, or early reduced amount from page 19.
\$ 1,570.33	\$
Mary Jo used the chart on page 23 to find her percentage.	Use the chart on page 23 to find your percentage to multiply.
X .89	X
MARY JO'S MONTHLY 75% SURVIVOR PENSION = \$ 1,397.59	YOUR MONTHLY 75% SURVIVOR PENSION = \$
<i>Step 2: Determine your survivor's 75% survivor pension.</i>	
Mary Jo's monthly 75% survivor pension from above.	Enter your monthly 75% survivor pension from above.
\$ 1,397.59	\$
Mary Jo multiplied her monthly straight life pension by 75%.	Multiply by 75%.
X .75	X .75
MARY JO'S SURVIVOR'S MONTHLY PENSION = \$ 1,048.20	YOUR SURVIVOR'S MONTHLY PENSION = \$



## 75% SURVIVOR OPTION ACTUARIAL TABLE

		Beneficiary age														
		41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
Retiree age	40	93	93	93	94	94	94	95	95	95	96	96	96	97	97	97
	45	92	92	93	93	93	94	94	95	95	95	96	96	96	97	97
	50	91	92	92	92	93	93	94	94	94	95	95	96	96	96	97
	51	91	91	91	92	92	93	93	94	94	94	95	95	96	96	96
	52	90	90	91	91	92	92	93	93	93	94	94	95	95	96	96
	53	89	90	90	90	91	91	92	92	93	93	94	94	95	95	96
	54	88	89	89	90	90	91	91	92	93	93	94	94	95	95	96
	55	88	88	88	89	89	90	90	91	92	92	93	93	94	94	95
	56	87	87	88	88	89	89	90	90	91	91	92	93	93	94	94
	57	86	86	87	87	88	88	89	89	90	91	91	92	93	93	94
	58	85	85	86	86	87	87	88	88	89	90	91	91	92	93	93
	59	84	84	85	85	86	86	87	88	88	89	90	90	91	92	93
	60	82	83	83	84	85	85	86	86	87	88	89	89	90	91	92
	61	81	82	82	83	83	84	85	85	86	87	88	89	89	90	91
	62	80	80	81	82	82	83	83	84	85	86	87	87	88	89	90
	63	79	79	80	80	81	81	82	83	84	85	85	86	87	88	89
	64	77	78	78	79	79	80	81	82	82	83	84	85	86	87	88
	65	76	76	77	77	78	79	79	80	81	82	83	84	85	86	87
	66	74	75	75	76	77	77	78	79	80	81	82	83	84	85	86
67	73	73	74	74	75	76	76	77	78	79	80	81	82	83	84	

**Directions:** Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you will receive on the dollar, based on your straight life or early reduced estimate. If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.

## ■ ■ 50% SURVIVOR PENSION ■ ■

This option pays you a reduced benefit throughout your lifetime; upon your death your pension beneficiary's monthly payment will be 50 percent of the amount you were receiving.

Mary Jo	Your Estimate
Mary Jo is retiring at age 57; her husband will be 55 years old when she retires.	You plan on retiring at age ____; your pension beneficiary will be age ____.
<i>Step 1: Determine your monthly 50% survivor pension.</i>	
Mary Jo's monthly straight life pension from page 17.	Enter your monthly straight life pension (page 17) or early reduced amount (page 19).
\$ 1,570.33	\$
Mary Jo used the chart on page 25 to find her percentage.	Use the chart on page 25 to find your percentage to multiply.
X .92	X
MARY JO'S MONTHLY 50% SURVIVOR PENSION	YOUR MONTHLY 50% SURVIVOR PENSION
= \$ 1,444.70	= \$
<i>Step 2: Determine your survivor's 50% survivor pension.</i>	
Mary Jo's monthly 50% survivor pension from above.	Enter your monthly 50% survivor pension from above.
\$ 1,444.70	\$
Mary Jo multiplied her monthly straight life pension by 50%.	Multiply by 50%.
X .50	X .50
MARY JO'S SURVIVOR'S MONTHLY PENSION	YOUR SURVIVOR'S MONTHLY PENSION
= \$ 722.35	= \$



50% SURVIVOR OPTION ACTUARIAL TABLE															
	Beneficiary age														
	41	43	45	47	49	51	53	55	57	59	61	63	65	67	69
Retiree age	40	94	95	95	95	95	96	96	96	96	97	97	97	97	98
	41	94	94	95	95	95	95	96	96	96	96	97	97	97	97
	42	94	94	94	94	95	95	95	96	96	96	97	97	97	97
	43	93	93	94	94	94	95	95	95	96	96	96	97	97	97
	44	93	93	93	93	94	94	95	95	95	96	96	96	97	97
	45	92	92	93	93	93	94	94	95	95	95	96	96	96	97
	46	92	92	92	92	93	93	94	94	95	95	95	96	96	96
	47	91	91	92	92	92	93	93	94	94	95	95	95	96	96
	48	90	91	91	91	92	92	93	93	94	94	94	95	95	96
	49	90	90	90	91	91	91	92	92	93	93	94	94	95	95
	50	89	89	89	90	90	91	91	92	92	93	93	94	94	95
	51	88	88	89	89	89	90	90	91	91	92	92	93	94	94
	52	87	87	88	88	89	89	90	90	91	91	92	92	93	94
	53	86	87	87	87	88	89	89	90	90	91	91	92	92	93
	54	85	86	86	86	87	87	88	89	90	90	91	91	92	93
	55	84	85	85	85	86	86	87	87	88	89	89	90	91	92
	56	83	83	84	84	85	85	86	86	87	88	88	89	90	91
	57	82	82	83	83	84	84	85	85	86	87	87	88	89	90
	58	81	81	82	82	83	83	84	84	85	86	86	87	88	89
	59	80	80	80	81	81	82	82	83	84	85	85	86	87	88

**Directions:** Find your age in the left column and your beneficiary's age in the top row. The point where they intersect tells you how much you will receive on the dollar, based on your straight life or early reduced estimate. If the table doesn't include the age ranges required for your situation, use the online calculator or contact ORS for assistance.



## ***The Equated Plan***

This plan pays you a higher pension until you are age 62, and then your monthly pension is permanently reduced. You might choose to receive the equated plan if you want your overall income to remain fairly even both before and after social security begins.

Think of the equated plan as if you are receiving an advance against your pension until age 62.

So that your income (pension only) before age 62 is close to your combined income (pension and social security) after age 62, the increased pension before age 62 is based on a portion of your projected social security benefit. When you apply for your pension, you provide us with an estimate of your age 62 social security benefit. Request this from the Social Security Administration at [www.ssa.gov/mystatement](http://www.ssa.gov/mystatement), or (800) 772-1213.

Because calculating your “before and after” pension involves so many variables, it’s not possible to provide tables and worksheets here. However, our online benefit estimator will do it for you simply and quickly. Obtain your social security estimate as noted above, and plug in your numbers at the ORS website.

The equated plan can be confusing. It is important to have a full understanding of it, because you can’t change your mind after you retire.

### **When to choose the equated plan.**

Consider the equated plan if:

- You believe you would be money ahead by investing the pension “advanced” to you before age 62.
- You want to receive as much income as you can as soon you can because your life expectancy is uncertain.
- You prefer having a relatively even income throughout your retirement.

DON’T choose the equated plan if:

- You don’t want your pension permanently reduced at age 62.
- You like the idea of having more monthly income when social security begins.
- You don’t want the higher pre-62 income to put you in a higher tax bracket.
- You expect to live longer than the life expectancy tables say, and you believe that the permanent reduction will end up costing you money.





As you can see in the illustration below, under the equated plan your pension amount goes down at age 65.



### Additional notes on the equated plan.

- Your pension is reduced at age 62 regardless of when you actually begin receiving your social security and regardless of how much it actually is.
- If you are age 61 or older as of your retirement effective date, you can't choose the equated plan.
- If you are eligible for a disability retirement, you can't choose the equated plan.
- The equated plan has no bearing on postretirement increases, so MIP retirees will get the standard 3 percent increase that is based on the initial pension amount calculated before the advance.
- Your pension payment reduction under the equated plan takes effect the month after your 62nd birthday. If your birthday falls on the 1st or 2nd of the month, your pension is reduced the month in which you turn 62.

### Combining the Equated Plan and Survivor Option

You can elect any of the survivor options and can still choose the equated plan. These are known as the 100% equated, 75% equated, and 50% equated plan options.

To calculate your equated survivor benefit, we start with your applicable (100, 75, or 50 percent) survivor benefit amount. We then use that figure and your social security estimate at age 62 to determine your pre-62 and post-62 equated amount.

If you are interested in receiving a combined equated and survivor option benefit estimate, refer to our online estimator or contact our office.

### Additional notes about the equated survivor option.

- If your beneficiary should die before you, your benefit will revert to a straight life equated plan.
- Upon your death, your survivor will receive the standard survivor amount calculated under a 100, 75, or 50 percent survivor benefit, as if the equated plan had not been chosen.

## V. Your Insurance Benefits

When you retire, you and your eligible dependents can enroll in the plan's medical, dental, and vision insurance. Your share of the insurance premium is deducted from your monthly pension payments. Up-to-date details about carriers, benefit plans, and current premium rates will be provided in your retirement application packet. You can also contact ORS or check our website as you come close to your retirement date.

The health insurance plans include hearing aid coverage. If you choose not to enroll in one of the health plans a hearing aid benefit may be available (unless you took a deferred retirement and have less than 21 years of service).

### ***Your Health Insurance***

#### **When your coverage begins.**

Coverage always begins on the first day of a calendar month. Your insurance protection as a retiree can begin on your retirement effective date if you submit your completed retirement application and group insurance application before your retirement effective date. If we receive your applications after your retirement effective date, your coverage begins on the first day of the month after the completed applications are received.

We suggest that you check with your school employer to find out when your present insurance(s) will terminate. That way there won't be any break in your coverage and you won't be duplicating coverage. Determining the correct effective date is very important because we can't refund any premiums that were withheld from your pension.

#### **There could be a waiting period if you enroll later.**

If you decide not to enroll in the insurance plans at retirement, you can enroll later. Your coverage will begin six months following the first day of the month in which ORS receives your completed enrollment forms. For example, if we receive your forms and all required proofs of eligibility on February 10, your coverage would begin August 1.

We can waive the waiting period if you have an involuntary loss of coverage in another group insurance plan. In this case, be sure to enroll within 31 days of the date your other coverage terminated. Your coverage under this plan can begin within 31 days after we receive your completed *Group Insurance Application* form or *HMO Enrollment* form along with proof of your loss of coverage.

Take care to  
determine  
the date you want  
your insurance  
coverage to begin.  
Premium refunds  
cannot be made.



### **Premium subsidies and deferred members.**

If your pension is effective the first of the month after you terminate employment with a Michigan public school, you will go directly from active member status to retiree status. You are entitled to a full premium subsidy, in that the plan pays a higher percentage of the premium for your coverage. The balance of the premium is deducted from your monthly pension payments. (See also Section II–Summer Birthday Exception.)

If you are a deferred member, the amount of the subsidy will depend on when you terminated your public school employment and how many years of credited service you have.

- ***Terminated after October 31, 1980, with at least 21 years of service.*** Your subsidy will be 10 percent for each year of credited service you have over 20 years. With 21 years of service, you get 10 percent of the full subsidy. With 25 years the subsidy increases to 50 percent. A retiree with 30 years of service is entitled to the full subsidy.
- ***Terminated after October 31, 1980, with less than 21 years of service.*** You can enroll for the health, dental, and vision insurance but you must pay the full premium.
- ***Terminated on or before October 31, 1980.*** If you are a pension recipient who terminated public school employment before October 31, 1980, you are eligible for the full premium subsidy offered under the Public School Employee's Retirement System.

### **If you have other health insurance.**

The health, dental, and vision plans contain a ***coordination of benefits (COB)*** provision. This means that when a service is covered by more than one plan, the combined payments of all group health plans will not exceed the allowable amount for that service, after you pay any applicable deductible and copay. Be sure to keep ORS informed if anyone on your insurance is covered under another insurance.

If you and your spouse are Michigan public school retirees, you will be covered together under one contract. Being covered under one contract allows you to take advantage of family coverage and ensures that your health care premiums are the lowest available.



*coordination of  
benefits (COB)*

### **When Medicare begins.**

You're eligible for Medicare at age 65 (or after 24 months of social security disability eligibility). The Social Security Administration will enroll you in Medicare Part A, which covers inpatient hospital care and has no cost to you. You will also need to enroll in Part B, which has a monthly premium and covers physician and other outpatient medical expenses.



Your plan health coverage automatically becomes a supplement to Medicare and will no longer pay any expenses normally paid by Medicare. If you don't enroll in Medicare Part B, you will be personally responsible for any medical expenses that would be covered by Medicare. Your retirement system health plan will continue to pay for any of the plan's covered benefits that are not also covered by Medicare.

When your Medicare coverage begins, you will likely see a decrease in the amount of your health insurance premiums.

### **About Long-Term Care Insurance**

Long-term care insurance helps offset the cost of custodial care provided in a nursing facility or in the home. ORS has established a group plan with MetLife for long-term care insurance for public school retirees, as well as their spouses, parents, parents-in-law, grandparents, and grandparents-in-law.

While ORS negotiated this offering for retirees, it neither encourages nor discourages you to enroll. Eligibility, enrollment, coverage, and cost questions about the long-term care insurance should be directed to MetLife at **(800) 438-6388** or **<http://stateofmichigan.metlife.com>**.

### **Coverage for Your Dependents**

Eligible dependents for health, dental, and vision insurance plans include the following:

- Your spouse. If he or she is an eligible public school retiree, you will be covered together on one contract.
- Your unmarried child by birth, legal adoption, or legal guardianship through December 31 of the year in which he or she turns age 19.
- Your unmarried child by birth, legal adoption, or legal guardianship from age 19 through December 31 of the year in which he or she reaches age 25 if a full-time student and dependent on you for support.
- Your unmarried child by birth, legal adoption, or legal guardianship age 19 or older who is physically or mentally disabled, dependent on you for support, and unable to sustain employment.
- Your parent or parent-in-law residing in your household.



Grandchildren and stepchildren are not eligible insurance dependents. Only your children by birth, legal adoption, or legal guardianship can be included in your insurance coverage.

Coverage for your eligible dependents will be the same as yours.

### **Additional notes about insurance for your dependents.**

- Upon your death, insurance benefits continue for your survivor pension beneficiary. Your eligible dependents who were covered at the time of your death may continue to receive insurance benefits if you have chosen the survivor option and designated your spouse as your survivor pension beneficiary.
- A federal law known as **COBRA (Consolidated Omnibus Budget Reconciliation Act)**, allows your dependent the option of paying for continued health insurance coverage for up to 36 months after a qualifying event. The insurance carrier may also offer a conversion policy. Your dependents will be notified of these options.
- If you divorce, your former spouse cannot be covered under the plan insurances as of the month following the divorce. He or she may be eligible for COBRA continuation, however. Be sure to send ORS your divorce papers as soon as they are available.



COBRA  
(Consolidated  
Omnibus Budget  
Reconciliation  
Act)



## VI. Beefing Up Your Benefit

Now that you know how your salary and service figure into your benefit calculation, you might be thinking of ways to maximize your monthly pension. In this section, we give you a few tips for increasing your service credit to boost your benefit.

### ***Adding to Your Service Credit***

Obviously, the longer you work the higher your benefit will be. But there are other ways to increase the years of service factor in your pension calculation. Your plan permits the following:

- Service credit may be granted (at no cost) while you are on leave for active duty military service or weekly worker's compensation.
- You may be able to purchase or be credited for maternity, paternity, or child-rearing time; active duty military service; out-of-system public educational employment; nonpublic educational employment; state of Michigan Civil Service employment; weekly workers' compensation; or a sabbatical leave of absence.
- You can purchase **universal buy-in (UBI)** service credit, which is available to all Michigan Public School Employees Retirement System members.
- If you had a prior period of public school employment but then withdrew your contributions to the system when you left employment, you can ask to pay back the amount refunded to you, plus interest, to reinstate your prior service.

With few exceptions, purchased service isn't credited to you until you are vested, nor can you count it toward your ten-year (or five-year) minimum eligibility requirement.

In all cases, your purchase must be completed before you leave public school service.

### **The cost of service credit.**

The "price" of service credit depends on the type of credit, your age, years of service, and rate of pay. Generally, the older you are, the higher the cost. The following chart outlines costs and limits for various service credit types. But because each type of service credit has its own restrictions and application process, please use this only as a general overview. To learn more or to estimate costs when "actuarial cost" is shown in the table, refer to ORS publication *Enhancing Your Pension: Earning and Purchasing Service Credit*.

You must weigh costs versus benefits when considering a service credit purchase. Once you know your cost, use our online calculator to see how additional service credit would affect your pension amount.



universal buy-in  
(UBI)



SERVICE CREDIT COSTS & LIMITS		
TYPE	COST	LIMIT
Universal Buy-In (anyone can buy)	Actuarial cost.	5 years, reduced by purchases of credit types eliminated from law as of 1/31/91
Maternity/Paternity/ Child Rearing Time	Actuarial cost.	5 years
Nonpublic Educational Service	Actuarial cost.	5 years
Out-of-System Public Educational Service	Pre-1974: Contributions plus interest. Post-1974: 5% of highest previous fiscal year salary	15 years on a matching basis
Active Duty Military Service	Intervening: No charge Nonintervening: 5% of highest previous fiscal year salary	6 years 5 years (combination cannot exceed 6 years)
Sabbatical Leave	Pre-1981: Usually no charge Post-1981: 5% of highest previous fiscal year salary	No limit No more than 1 year creditable per sabbatical leave
State of Michigan Civil Service - Defined Benefit Plan	Pre-1974: Contributions plus interest. Post-1987: MIP costs plus interest.	No limit
State of Michigan Civil Service - Defined Contribution Plan	Actuarial cost.	No limit
Weekly Worker's Compensation	Pre-7/1/77: Contributions plus interest. 7/1/77-12/31/86: No charge Post-1987: MIP costs plus interest.	No limit
Comprehensive Employment and Training Act of 1973 (CETA)	No cost to member	No limit

### Three ways to purchase.

You can buy service credit in three ways:

- Direct payment (check or money order).
- Transfer or "roll over" funds from a qualified retirement plan such as a 401(a), 401(k), 403(b), 457, a qualified plan established with a previous employer, as well as a conduit IRA (individual retirement account). A traditional IRA is not eligible for plan-to-plan transfer.
- Sign up for the tax-deferred payment (TDP) program. Payments are deducted from your paychecks by your employer. Taxes on the amount withheld are deferred until you begin receiving your monthly pension payment.

### Don't delay!

Regardless of how you pay, remember that your service credit purchase must be completed before you leave public school service. Don't wait until the last minute!



## VII. Choosing a Date

You know when you'll be eligible, and you know how to figure the monthly benefit. Now you must decide when the time is right to retire. Naturally there are health, leisure, and family considerations, in addition to financial obligations. Here are a few things to help you decide if you're ready; then we'll give you some tips on deciding when to go.

### ***Are You Ready to Retire?***

Answering these questions may provide some insight into how well prepared you are to retire.

- Do you own your home free and clear? If not, will you have enough income to pay for it?
- Have you planned for the future of children or others financially dependent on you?
- Have you estimated how much retirement income you will receive from all sources? Is your estimate between 60-80 percent of your preretirement income?
- Have you included a realistic inflation factor in estimating the income you will need throughout retirement?
- Have you considered your future health care costs when projecting your income needs in retirement?
- Have you saved for or planned for major expenses such as home repairs or an automobile purchase you expect to make during retirement?
- Do you plan to maintain cash in reserve for a family emergency?
- Do you have a current estimate from the Social Security Administration of what your benefits will be?
- Have you considered that at a time of increasing life expectancies, greater demand is placed on your personal savings and investments since they must last for a longer period of time?
- Do you already have a fulfilling leisure time activity or hobby you plan to devote more time to in retirement?



The more "yes" answers you have, the more adequate your retirement preparation and the more likely you'll be able to preserve your standard of living.

If you have more "no" than "yes" answers, should you delay your retirement date and continue to work? Only you can answer this.



## **When to Go?**

Some people are ready to go the minute they're eligible. Others like to weigh every factor before deciding on a date. Here are some things you might want to consider when choosing your retirement date.

### **Retirement effective date.**

Remember, your retirement effective date is the first day of the month following the month in which you've met all the eligibility requirements and you have terminated employment. The date you terminate your employment is your choice—it can be any time in the year, and any day of the month.

### **Social security.**

Your social security benefit will not affect your pension, but it could affect your overall finances. Your taxable income will be higher, so you may want to take a look at your tax withholding rate when you begin receiving social security. When your Medicare coverage begins, typically at age 65, we will reduce your portion of the health insurance premiums deducted from your pension. For information on social security benefits, go to **[www.ssa.gov](http://www.ssa.gov)**, call toll-free **(800) 772-1213**, or visit your local office.

*Note:* If you elect one of the equated plan options, your pension will be reduced at age 62 regardless of when you actually begin receiving your social security and regardless of how much it actually is. Remember, your age 62 pension reduction is based on the social security *estimate* you provide to ORS when you apply.

### **Taxes on your pension.**

Your pension is subject to federal income tax (except for any portion of the pension representing personal contributions or service credit purchases made with post-tax dollars). Federal taxes will be withheld from your pension according to the withholding instructions you give us when you retire. Your pension is exempt from Michigan and local income taxes. If you live outside of Michigan, you should check the state and local income tax regulations in your area.

### **Early reduced or deferred?**

If you're thinking about retiring before age 60 and you're debating whether to take the permanent reduction of the early reduced benefit or defer your retirement until age 60 to get your full benefit, consider the insurance ramifications. While in deferred status, you (and your dependents) aren't eligible for the plan's group health, vision, and dental insurance. You will be eligible for the insurance benefits when you apply for your retirement at age 60.

Remember, too, that the amount of your insurance premium subsidy could be less if you take a deferred retirement, resulting in a higher cost for you. This is explained in Section V.





alternate payee

eligible domestic  
relations order  
(EDRO)

reporting unit

employment  
restrictions

earnings  
limitations

### **Postretirement increases.**

As explained in Section III, MIP retirees will receive a fixed 3 percent, noncompounding increase each October after being retired a full year.

### **Effects of divorce.**

If you divorce while you are an active or deferred member, the court may order that a portion of your pension be paid to an **alternate payee** such as your former spouse or dependent child. The order (known as an **eligible domestic relations order**, or **EDRO**) must contain specific information in a specific format, and must be on file with ORS prior to your retirement effective date. Details and sample language can be found in the ORS publication *Eligible Domestic Relations Orders*. The EDRO Act doesn't apply to a divorce after retirement.

The retirement statute prohibits continuing insurance benefits for a former spouse after a divorce.

### **If You Plan to Work After Retirement**

After you retire, you may return to work and earn wages from a participating Michigan public school, known as a **reporting unit**, and still receive your full pension. However, you may be subject to **employment restrictions** and **earnings limitations** as explained below.

#### **Employment restrictions.**

You may not work within the first month of your retirement effective date (even as a volunteer) for a participating reporting unit or for the state of Michigan.

If your pension is based on a disability, contact ORS before you accept employment because special restrictions apply.

#### **Earnings limitations.**

If you return to work for a reporting unit, you may earn the greater of the following statutory limits without affecting your pension:

- One-third of your final average compensation. For this purpose, the salary average is increased by 5 percent (compounded) for each calendar year you are retired. In the first year of retirement, the earnings limitation is prorated.
- The earnings limit for someone your age whereby full benefits are payable under the federal Social Security Act, as amended. There is no limit on earnings beginning the month you attain full social security retirement age.

For every dollar you earn over the statutory limit, you must return one pension dollar to the retirement system.





### **Exceptions to the earnings limitation.**

There are no limitations on postretirement earnings from:

- Universities within Michigan that are not participating reporting units. These include Grand Valley State University, Michigan State University, Oakland University, Saginaw Valley State University, University of Michigan, and Wayne State University.
- Employment (of a former teacher or administrator) in a teaching or research capacity by a university that is considered a reporting unit. These include Central Michigan University, Eastern Michigan University, Ferris State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, and Western Michigan University.
- Public school academies that are not reporting units.
- Any other work within Michigan.
- Any work outside Michigan.
- The state of Michigan (except within the first month of your retirement effective date).

*Note:* Public school employees who retired before July 1, 2003, may be exempt from the earnings limitation if they are working in an approved critical shortage position or for a school that has an approved emergency situation. The list of exceptions is published each year by Michigan's Department of Education.



## VIII. How to Apply

You've made the decision, and set the date. Write, email, fax, or call ORS to request a retirement application packet. You should submit your completed retirement application forms at least three months but not more than six months before your retirement effective date.

*Note:* Don't delay filing your application! You will lose retroactive benefits if you file more than 12 months after you become eligible for pension payments.



retirement  
application  
packet

### What You Will Need

ORS cannot process your retirement without a completed, error-free application. The **retirement application packet** will include forms and information regarding insurance, taxes, and electronic funds transfer so you can have your check deposited into your bank account.

In addition to the forms in the packet, you'll need to provide the following:

- **Proof of age.** See the list of proofs we can accept. If you elected a survivor option, you will also need to furnish proof of your beneficiary's age.
- **Bank deposit slip or voided check.** If you're choosing direct deposit—the safest and most convenient way to receive your pension payments—attach a deposit slip or voided check to the Electronic Funds Transfer application included in the retirement packet.
- **Proof of insurance dependent's eligibility.** If you enroll dependents under your insurance plan, you must provide proof of age. We'll also need tax returns to prove your child age 19 or older depends on you, as well as school records showing the child meets the school's standards for full-time attendance.

If your dependent is a disabled child age 19 or older, proof of dependency must be submitted along with a letter from the attending physician stating the child is disabled and incapable of sustaining employment.

- **HMO application.** The packet includes an enrollment form for the master health and dental/vision insurance, but if you are enrolling in one of the HMOs you will need to contact the HMO for an enrollment form. (Submit the enrollment with your retirement application. ORS will arrange for premium deductions from your pension and then forward the information to the HMO.)
- **Social Security Statement.** If you elect an equated plan, you must provide a statement from the Social Security Administration that estimates your age 62 benefit. When you request the statement, be sure to include any projected wages through the date you retire—it makes a big difference in your estimate, and therefore your equated pension amount.

Your application  
should be submitted  
3 to 6 months  
before your  
retirement  
effective date.



## ***Proving Your Age***

You will need to furnish proof of your age, your beneficiary's age if you've elected a survivor option, and proof of any insurance dependent's age. Photocopies are fine. Acceptable proofs, in order of preference, are shown here.

### **■■ PREFERRED PROOF OF AGE ■■**

The record must include your date of birth or age.

- Birth certificate.
- Hospital birth record.
- Church baptismal record established during the first few years of your life.
- Passport.
- Delayed birth certificate.
- Social security documentation. If none of the above is available and you have applied for a social security benefit and documented your date of birth, a statement from the Social Security Administration is sufficient. This statement must include your date of birth and explain that you have filed sufficient documentation to establish your date of birth.

### **■■ ALTERNATE PROOF OF AGE ■■**

If you have not applied for social security benefits, copies of at least two of the following documents may be used. Records established early in life are preferred.

- School record.
- Church record.
- State or federal census record.
- Statement signed by physician or midwife who attended the birth.
- Family bible or other family record.
- Insurance policy.
- Marriage record.
- Employment record.
- Military record.
- Child's birth certificate that shows age of parent.
- Other records such as a hospital treatment record, labor union or fraternal record, permits, licenses, voting or registration records, or poll tax receipts.

### **■■ FOREIGN BIRTH ■■**

- Foreign passport.
- Immigration record established upon arrival in the United States.
- Naturalization record (citizenship paper).
- Alien registration card.



acknowledgment  
letter

final salary  
affidavit (FSA)

award letter

## After You Apply

After we have received and reviewed your application, we will send you an **acknowledgment letter**. This notice summarizes your selections including your retirement effective date, pension option, survivor option beneficiary, insurance choices, and tax exemptions requested. It will also include a preliminary pension estimate (at this point your final payout information is probably not yet available). Be sure to provide any missing information or documents noted in the letter.

Once all required paperwork is in, we will contact your employer(s) to request wage and service information so that we can determine your pension eligibility and amount. Your payroll officer completes a **final salary affidavit (FSA)** to ensure all your wages have been reported and to verify any additional payments you received in addition to your base contract such as retroactive contract settlements, longevity, overtime pay, etc. ORS cannot make a final eligibility determination until every employer you worked for during your final average compensation period has submitted an FSA.

### Your award letter and first pension check.

As soon as we receive your FSA we will complete processing your retirement application and, if eligible, put you on the public school retirement payroll. You'll get an **award letter** that tells you how much your pension payment is and when you can expect it. This letter details how your pension was calculated (final wage and service totals) as well as any deductions (insurance premiums, taxes) reflected in the payment amount. Keep this letter in a safe place so that you have an easy-to-find record of your pension benefits.



## Prevent

worries about  
late or lost  
pension checks.

Sign up for  
EFT!

You should receive your first pension payment one to three months after you terminate your employment and meet all eligibility requirements, provided all your required retirement forms are on file with ORS. After that, you can expect your payments on the 25th of each month for the month they are due (December payments are issued about one week early).

When you receive your award letter, you'll be given information about what you can expect as far as payment schedules, taxes, and so forth, as well as a guide to your reporting responsibilities.



**Your insurance enrollments.**

We will forward your insurance enrollment forms to your health, dental, and vision carriers. You should receive insurance identification cards and materials a few weeks after your pension begins. If you require health services before your cards arrive, save your itemized receipts for submission afterwards. Or, if necessary, have the provider verify your coverage with ORS.

**If you disagree with the decision.**

If you disagree with a determination made by ORS concerning your retirement benefits, you may request a review by writing to ORS, stating the basis for your disagreement and providing all information which you believe supports your position. Your request will be thoroughly reviewed and you will be notified in writing of the outcome.

**If you are overpaid or underpaid.**

The retirement law requires ORS to correct any payment errors. As a result, any person who receives a benefit payment in error will be required to repay the benefit. This also applies if you are underpaid—if your payroll office reports a wage correction that results in an underpayment of benefits to you, you will be reimbursed.

If you receive a wage settlement after your pension begins, ask your payroll office to send us a correction so we can recalculate your pension.

## **IX. Enjoy Your Retirement!**

We hope that this booklet has answered all of your questions about your Michigan public school pension. We also hope that you are well informed and ready to make the important choices that will lead to a rewarding life as a retiree.

Please don't hesitate to contact us if you have any questions. The ORS vision—to provide fast, easy access to complete and accurate information and exceptional service—is one we take very seriously.





## YOUR RESPONSIBILITIES

- Before you make important decisions about retirement and your pension, read this booklet thoroughly. Don't forget the tools provided in the appendices.
- Take advantage of other resources such as our online benefit estimator and preretirement information meetings.
- Be sure to include your family in your retirement planning and decision making.
- Carefully review the statements you receive from ORS regarding your service credit and pension estimates.
- Keep this booklet and any important ORS correspondence like your award letter and benefit summary in a safe place.
- Inform ORS of any changes in your mailing address.

## APPENDIX A: COUNTDOWN TO RETIREMENT

### 24 months to retirement ...

- ✓ Review your service credit totals for accuracy, and consider whether any credit for refunded service, military service, or other service is available.
- ✓ Request an estimate of your retirement benefits from the Social Security Administration.
- ✓ Attend a preretirement information meeting and then a personal phone appointment with an ORS representative.
- ✓ Review your current living expenses and project what these will be at retirement. Will your income from all sources cover your projected expenses?
- ✓ Anticipate new or recurring expenses (car, medical, home repairs), and perhaps take care of some of these before you retire.
- ✓ Evaluate your other investments. When will these funds be available? What are the withdrawal options: lump sum or recurring payments?
- ✓ Consider your tax situation. How much will you be required to pay in income taxes? Are there any special tax breaks on retirement income where you live?
- ✓ Time your retirement to fit your goals. Consider these items:
  - The time from your last paycheck to your first retirement check.
  - The date of your first postretirement increase.
  - If you participate in a flexible benefits payment program, consider how your date of retirement will affect this account.
- ✓ Begin studying the pension payment options available.

### 18 months to retirement ...

- ✓ Research medical insurance for your family and verify your postretirement eligibility.
  - Plan-sponsored insurances.
  - Medicare. Go to [www.medicare.gov](http://www.medicare.gov) for information.
  - Medicare supplement (if you or a dependent are over age 65).
  - Spouse's employment. Will you be able to continue coverage in the event of your spouse's retirement or death?
- ✓ Will you still need individual disability coverage? Ask your insurance provider if there is an offset provision for other income received.
- ✓ Consider long-term care insurance coverage.
- ✓ Evaluate your life insurance needs in comparison to your coverage and consider any conversion rights.
- ✓ Review your estate plan and make sure your will, trust, and powers of attorney are up-to-date. Understand how your assets pass to others under Michigan law.



## COUNTDOWN TO RETIREMENT

### 12 months to retirement ...

- ✓ Request another estimate from the Social Security Administration.
- ✓ Put the finishing touches on your financial plans. Use the online calculator at [www.michigan.gov/ors](http://www.michigan.gov/ors) to estimate your retirement benefit and explore the various payment options, or request an estimate from ORS.
- ✓ Check the ORS website for the most current version of *Retirement Readiness: A Two-Year Countdown* or request a copy from ORS.

### 6 months to retirement ...

- ✓ Request a retirement application packet from ORS.
- ✓ Read through the medical, dental, and vision plan information to learn what benefits are available to you and your dependents in retirement.
- ✓ Make a list of any questions you'd like answered by an ORS representative.
- ✓ If you divorce while an active or deferred member and the court ordered a portion of your pension be paid to an alternate payee, you must have an eligible domestic relations order (EDRO) on file with ORS before your retirement effective date.
- ✓ If you plan to work after you retire, make sure you understand how postretirement earnings affect your pension and social security benefits.
- ✓ Gather any proofs and supporting documents needed to apply as described in Section VIII.

### 3 months to retirement ...

- ✓ Carefully review the pension payment plans and options. Decide which fit your needs and that of your family. Remember—you can't change the option or your survivor pension beneficiary after your retirement effective date.
- ✓ Review the health insurance plans offered and decide on a plan.
- ✓ Notify your personnel office of your intention to retire.
- ✓ File your application and any other forms included in your retirement packet with ORS. Include proof of your age, your survivor pension beneficiary's age, and any other required proofs.

### Retired at last!

- ✓ ORS will send your award letter. It explains what happens next and things that you should report.
- ✓ Watch for your pension payments on the 25th of each month.
- ✓ Enjoy reading *Connections*, a semiannual newsletter we send to our retirees so that we stay connected.

✓ ***Relax and enjoy your retirement!***

## APPENDIX B: RETIREMENT AT A GLANCE

RETIREMENT AT A GLANCE		
RETIREMENT TYPE	AGE & SERVICE REQUIREMENTS	STRAIGHT LIFE FORMULA
Full Retirement - MIP	Age 46 with 30 years of service.	FAC X 1.5% X YOS
	Age 60 with 10 years of service.	
	Age 60 and working with 5 years of service.	
Full Retirement - Basic	Age 60 with 10 years of service.	FAC X 1.5% X YOS
	Age 55 with 30 years of service.	
Early Reduced (MIP and Basic)	Age 55 and working with at least 15 years but less than 30 years of service.	Straight life pension MINUS 1/2% for each month before age 60.
Duty Disability Duty Death	No age or service requirements.	FAC X 1.5% X YOS
Nonduty Disability MIP and Basic	Any age; 10 years of credited service.	FAC X 1.5% X YOS
Nonduty Death - MIP	If under age 60, 10 years of credited service.	FAC X 1.5% X YOS
	If at least age 60, 5 years of credited service.	
Nonduty Death - Basic	If under age 60, 15 years of credited service.	FAC X 1.5% X YOS
	If at least age 60, 10 years of credited service.	



## APPENDIX C: MIP–BASIC PLAN COMPARISON

Until 1974, both employers and employees contributed to the pension fund. It was then a contributory plan. By 1977 the system was funded entirely through employer contributions—a noncontributory plan known as the Basic Plan.

In late 1986 the Member Investment Plan (MIP) was introduced. This contributory plan provides more generous pension benefit options. Those who were Basic Plan members at the time could choose the MIP, which took effect January 1, 1987. Basic Plan members again had the opportunity to select the MIP in the fall of 1991.

Public school employees newly hired after January 1, 1990, are in the Member Investment Plan. The most notable differences between the two plans are found in the chart below.

COMPARISON	MEMBER INVESTMENT PLAN	BASIC PLAN
Membership	Employees first hired on or after January 1, 1990.  Employees who elected MIP during enrollment periods.	Employees who did not elect the MIP plan during the MIP enrollment periods.
Contributions	Yes	No
Eligibility	46 with 30  60 with 10  60 with 5 (with stipulations)  55 with 15 (with stipulations)	55 with 30  60 with 10  55 with 15 (with stipulations)
Nonduty death benefit eligibility	10 years if member under age 60 at time of death.  5 years if member 60 or older at time of death.	15 years if member under age 60 at time of death.  10 years if member 60 or older at time of death.
FAC period	36 months	60 months
Cost of actuarial-based service credit	Actuarial Cost Table	Actuarial Cost Table less 4%
Vesting	10 years  5 years if retiring under the 60 with 5 provision.	10 years

## OTHER PUBLICATIONS

The following publications are available on the ORS website, or you can email or phone ORS for a copy.

- ***Your Retirement Plan: A Member Handbook.*** This publication is a member handbook that can be referenced by members at any time in their careers. It provides general information about your retirement plan, as well as suggestions for long-term retirement planning.
- ***Enhancing Your Pension: Earning and Purchasing Service Credit.*** For members who are interested in increasing their pension amount, or qualifying earlier, by adding to their service credit. The booklet includes details on the types of service credit available, how to apply, and different ways to pay.
- ***After You Retire: What Every Pension Recipient Should Know.*** You will receive this booklet when you apply for your pension. It tells you what to expect, and how and when you should contact ORS after your retirement benefits begin.
- ***If You Become Disabled: Your Disability Protection.*** For members who are facing an illness or injury that prevents them from working. This brochure defines the criteria to receive a disability benefit and gives an overview of the application process.

Watch the ORS website for *Leaving Public School Employment: Effects on Your Pension*.



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**Main Office - Lansing**  
8:30–5:00 Walk-ins welcome  
General Office Building  
Corner of Harris Drive and Ricks Road

*From I-96, take Exit 98 A-South Lansing Road. Turn north on Canal Road. ORS is in the 3-story brick building bordered by Canal Road, Ricks Road, Harris Drive, and Billwood Highway.*



**Outreach Office - Detroit**  
Appointments only  
Phone (313) 456-4010  
Cadillac Place  
3068 W. Grand Blvd., Suite 4-700

*From I-75, take Exit 54-Clay Ave/E Grand Blvd. Head west on East Grand Blvd. for about 3/4 mile to Cadillac Place.*

*From I-94, take northbound US-10 (Lodge Freeway) to W Grand Blvd. exit. Proceed east 3 blocks on West Grand Blvd. to Cadillac Place.*





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